

Message Text

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ACTION EB-07

INFO OCT-01 ARA-14 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 EPG-02 AID-05

SS-15 STR-04 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02

FEAE-00 OMB-01 /124 W

-----051909 141720Z /42

R 141110Z JUL 77

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2715

INFO AMEMBASSY LONDON

AMEMBASSY BOGOTA

AMEMBASSY MEXICO

AMEMBASSY SAN SALVADOR

USMISSION GENEVA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 5765

E.O. 11652: N/A

TAGS: EAGR, ETRD, BR

SUBJECT: BRAZILIAN COFFEE PURCHASES AND BRAZILIAN VIEWS OF FUTURE
COFFEE PRICES

REF: BRASILIA 5136 AND PREVIOUS

1. SUMMARY. BRAZIL'S NEWSPAPERS CONTINUE TO REPORT ON AND
COMMENT ON BRAZIL'S COFFEE PURCHASES. GOB CONTINUES TO
STATE BELIEF THAT COFFEE PRICES WILL RISE. END SUMMARY.

2. ESTADO DE SAO PAULO CARRIED FURTHER REPORTS ON BRAZIL'S
COFFEE PURCHASES IN ITS JULY 9 AND 11 EDITIONS. THE JULY 9
STORY REPORTED THAT INTERBRAS PURCHASED 300,000 BAGS OF
CENTRAL AMERICAN COFFEE ON THE NEW YORK MARKET (80,000 OF
THESE BAGS WERE PURCHASED FROM ANDERSON CLAYTON). ACCORDING
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TO THE ARTICLE THIS COFFEE WILL BE USED AS RAW MATERIAL
FOR SOLUBLE COFFEE TO BE EXPORTED BY
BRAZIL. THE STORY ALSO QUOTED COFFEE SPECIALISTS AS
SAYING THAT THESE 300,000 BAGS OVERHANGING THE MARKET
WERE EXERTING DOWNWARD PRESSURE ON THE PRICE OF BRAZILIAN
COFFEE.

3. THE JULY 12 ESTADO DE SAO PAULO REPORTED THAT UN-IDENTIFIED COFFEE SOURCES CONSIDERED THAT THE ANNOUNCED BRAZILIAN PURCHASES WERE TOO SMALL TO AFFECT THE MARKET. THESE SOURCES SAID THAT A PURCHASES OF 500 TO 800,000 BAGS WOULD BE NECESSARY TO EFFECTIVELY REVERSE THE PRICE DECLINE.

4. A FRONT PAGE STORY IN THE GAZETA MERCANTIL (SAO PAULO) OF JULY 11 PONTED OUT THE CRITICAL DIFFERENCE "PLAYING THE MARKET" (BUYING COFFEE FUTURES) AND BUYING PHYSICAL COFFEE. QUOTING A LONDON COFFEE SOURCE, THE STORY STATED THAT ONE REASON THE BRAZILIAN COFFEE MARKET INTERVENTION HAS NOT HAD A SIGNIFICANT IMPACT ON COFFEE PRICES WAS THAT THERE WAS AN EXCESS OF COFFEE CONTRACTS IN THE MARKET, AND THE HOLDERS OF THESE CONTRACTS WERE ONLY TOO ANXIOUS TO GET RID OF THEM WHEN A BUYER (BRAZIL) SHOWED UP. THE GAZETA'S SOURCE THOUGHT THAT UNTIL THE COFFEE ROASTERS GOT BACK INTO THE MARKET AGAIN TO BUY PHYSICAL COFFEE (ANOTHER 2 OR 3 MONTHS, ACCORDING TO THE STORY) COFFEE PRICES WILL REMAIN WEAK. THE GAZETA'S SOURCE ALSO COMMENTED THAT IT WAS NOT UNUSUAL FOR PRODUCING COUNTRIES TO INTERVENE IN THE FUTURES MARKET FOR THEIR PRODUCTS.

5. GOB OFFICIALS CONTINUE TO MAINTAIN THAT COFFEE PRICES WILL RECOVER. MINISTER OF INDUSTRY AND COMMERCE CALMON
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DE SA WAS QUOTED IN THE JULY 12 JORNAL DO BRAZIL (RIO) AS SAYING THAT COFFEE PRICES WOULD RISE AGAIN " AS SOON AS THE SUMMER IN EUROPE ENDED." ACCORDING TO JULY 13 ESTADO DE SAO PAULO, FINANCE MINISTER SIMONSEN REITERATED THAT BRAZIL WAS NOT CONTEMPLATING REDUCING THE MINIMUM REPORT REGISTRATION PRICE FOR COFFEE (CURRENTLY US\$3.20/LB). IBC PRESIDENT CALAZANS SAID THAT THE FACT THAT BRAZIL HAD NOT SOLD COFFEE RECENTLY (BECAUSE THE IBC MINIMUM EXPORT REGISTRATION PRICE HAS BEEN ABOVE THE MARKET PRICE) SHOULD NOT BE REGARDED AS A FAILURE IN BRAZIL'S COFFEE MARKETING POLICY, BECAUSE "BRAZIL DID NOT LOSE FOREIGN EXCHANGE BY NOT EXPORTING DURING THE PERIOD OF LOW PRICES; RATHER, BRAZIL WOULD HAVE LOST FOREIGN EXCHANGE HAD IT EXPORTED WHEN PRICES WERE LOW (JORNAL DO BRASIL, JULY 12)" ALTHOUGH THIS REASONING IS RATHER AWKWARD, IT IS CONSISTENT WITH THE GOB POSITION THAT COFFEE PRICES WILL RISE AND THAT IN THE SHORT-AND MEDIUM-TERM BRAZIL (I.E., BRAZIL'S BOP) WILL BE BETTER OFF BY WAITING FOR PRICES TO RISE BEFORE EXPORTING AGAIN.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, PROCUREMENT, PRESS COMMENTS, PRICE TRENDS, TRADE DATA
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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Format: TEL
From: BRASILIA
Handling Restrictions: n/a
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Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 BRASILIA 5136
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1866352
Secure: OPEN
Status: NATIVE
Subject: BRAZILIAN COFFEE PURCHASES AND BRAZILIAN VIEWS OF FUTURE COFFEE PRICES
TAGS: EAGR, ETRD, BR
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e52cd76b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009